

News Release



Controller of the State of California - Kathleen Connell

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STATE CONTROLLER KATHLEEN CONNELL RELEASES RESULTS OF HER INDEPENDENT REVIEW OF LAFCO COMPREHENSIVE FISCAL ANALYSES

Los Angeles, April 1, 2002 – State Controller Kathleen Connell today released the results of her independent review of the issues raised by the City of Los Angeles regarding the Comprehensive Fiscal Analysis prepared for the proposed special reorganizations for the Harbor and San Fernando Valley areas.

The Controller's Office agrees with the Harbor study's conclusion that the proposed new Harbor city would not be fiscally viable without making significant reductions in expenditures and services.

"The Harbor study clearly indicates that the proposed new city will not be fiscally viable unless actions that are "highly unlikely" are taken to reduce costs," said Connell.

In addition, the Controller's Office found that recent changes in the assumptions about the political control or taxing authority regarding the Port of Los Angeles would make the proposed Harbor city even less fiscally viable. However, decisions by the State Lands Commission at its April 9, 2002 meeting could reduce this impact.

With respect to San Fernando Valley, the City of Los Angeles asked the Controller to review five elements of the Valley study.

"In reviewing the concerns they raised, we did identify some potential problems," explained Connell. "First, the projected general fund reserves for the proposed city of 0.4% to 1.3% is significantly below those of comparable sized cities in California that maintain general fund reserves of 4% to 4.8%. In addition, several cost items in the Valley study were understated, particularly for bond debt, and this could virtually eliminate any general fund reserves."

Before the voters are provided with a proposal to vote on, the Local Agency Formation Commission must develop a Comprehensive Financial Analysis to assess the financial viability of each of the proposed new cities. The process also provides that any interested party may raise issues to be reviewed by the Controller.

"I am aware that expectations for my review are high," Connell said. "I hope the results will assist voters in making an informed choice on this very important matter."

The reports are available online at www.sco.ca.gov under "publications," then "special reports."

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